

Message Text

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ACTION NEA-10

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C O N F I D E N T I A L CAIRO 20632

E.O. 11652: GDS
TAGS: ECON EEWT EG UR
SUBJECT: EGYPTIAN/SOVIET TRADE PROTOCOL 1978

REF: CAIRO 18983

1. IN DISCUSSING WITH MINTRADE ZAKARIA TEWFIK YESTERDAY'S
GOE ACTION IN CLOSING SOVIET AND EAST EUROPEAN CULTURAL
CENTERS AND CERTAIN CONSULATES, AMBASSADOR ASKED HOW THIS
MIGHT AFFECT NEGOTIATIONS FOR 1978 EGYPTIAN/SOVIET TRADE
PROTOCOL. TEWFIK NOTED SOVIETS HAD SENT A MESSAGE TWO
DAYS EARLIER INDICATING READINESS TO BEGIN NEGOTIATIONS
AND TO SEND A TEAM TO CAIRO FOR THIS PURPOSE. TEWFIK
OPINED THAT THIS IS NOT THE RIGHT TIME TO CONDUCT SUCH
NEGOTIATIONS. APART FROM THE CURRENT CLOUDED POLITICAL
ATMOSPHERE, THERE ARE TECHNICAL CONSIDERATIONS WHICH
RAISE QUESTION AS TO WHETHER A NEW TRADE PROTOCOL CAN
BE CONCLUDED. SPECIFICALLY, COTTON EXPORTS TO THE SOVIET
UNION ARE TO BE ENTIRELY ELIMINATED IN 1978. ELIMINATION
OF COTTON EXPORTS WILL MEAN THAT EGYPT'S FAVORABLE TRADE
BALANCE WITH USSR, WHICH HAS FOR PAST FEW YEARS RUN ABOUT
SEVENTY MILLION DOLLARS ANNUALLY, IS REDUCED TO NO MORE
THAN TEN MILLION. SINCE THIS FAVORABLE TRADE BALANCE HAS
ALWAYS BEEN USED AS ANNUAL PAYMENT OF EGYPTIAN DEBT TO
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THE SOVIETS, HE THOUGHT A TEN MILLION DOLLAR PAYMENT
WOULD HARDLY BE ACCEPTABLE TO THEM.

2. HE DID NOT BELIEVE THAT THE REMAINING EGYPTIAN
EXPORTS TO USSR, E.G., LOW QUALITY SHOES, PERFUMES,
SPIRITS AND LOCALLY MANUFACTURED WOODEN FURNITURE, ARE
OF SUFFICIENT INTEREST TO THE SOVIETS TO INDUCE THEM

TO CONCLUDE A 1978 ACCORD. IN ABSENCE OF NEW TRADE PROTOCOL, THESE EXPORTS WILL STOP. TEWFIK WAS WORRIED ABOUT FINDING ALTERNATIVE MARKETS FOR THESE PRODUCTS. HE FEARS THAT THE SMALL-SCALE PRIVATE SECTOR, WHERE MOST OF THESE ITEMS ARE MANUFACTURED, WILL SUFFER FROM THE LIKELY LACK OF A NEW TRADE PROTOCOL, BUT DID NOT SEE HOW THIS SITUATION CAN BE AVOIDED.

3. COMMENT: CONTRARY TO MINTRADE'S REMARKS, CZECH EMBASSY INDICATED TO US EARLIER THAT SOVIETS PROBABLY WOULD BE WILLING TO CONCLUDE PROTOCOL FOR NEXT YEAR ON MINIMAL TRADE LEVELS (SEE REFTTEL). THOSE SOUNDINGS WERE MADE PRIOR TO LATEST SADAT SWIPE AT USSR, HOWEVER, AND MAY THUS HAVE BEEN OVERTAKEN BY EVENTS. TEWFIK'S COMMENT IN ANY EVENT SUGGESTS PROTOCOL WILL BE DELAYED SOME MONTHS. WE CAN EXPECT GOE APPROACH EVENTUALLY FOR SOME SORT OF ASSISTANCE IN DISPOSING OF NON-TRADITIONAL EXPORTS USUALLY SENT TO USSR. EILTS

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